

**BATH COUNTY WATER DISTRICT  
SALT LICK, KENTUCKY  
AUDITED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013**

BATH COUNTY WATER DISTRICT  
SALT LICK, KENTUCKY  
Years Ended December 31, 2014 and 2013

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**DONNA J. HENDRIX**  
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

115 SOUTH MAIN CROSS  
FLEMINGSBURG, KY 41041  
(606) 845-3210

**INDEPENDENT AUDITOR'S REPORT**

550 W. FIRST ST., PO BOX 449  
MOREHEAD, KY 40351  
(606) 784-4451  
(606) 784-8224 (FAX)

To the Board of Commissioners  
Bath County Water District, Kentucky  
Salt Lick, Ky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Bath County Water District, Kentucky as of and for the year ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bath County Water District, Kentucky, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the Bath County Water District, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

*Government Auditing Standards* in considering Bath County Water District, Kentucky's internal control over financial reporting and compliance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Donna J. Hendrix, CPA*

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

February 23, 2015



**BATH COUNTY WATER DISTRICT**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31,**

<b>ASSETS</b>	2014	2013
<b>Current Assets</b>		
Cash	\$ 1,564,877	\$ 1,304,149
Accounts receivable		
Customers, net	263,890	246,577
Other		-
Prepaid expenses	16,665	23,533
Inventory	95,465	98,758
	<u>1,940,897</u>	<u>1,673,016</u>
<b>Restricted Assets</b>		
Cash-Customer deposits	58,058	63,919
Cash-Sinking fund	122,737	118,678
Cash-Depreciation fund	219,400	219,400
	<u>400,195</u>	<u>401,997</u>
<b>Fixed Assets</b>		
Property, Plant & Equipment	15,278,670	15,148,830
Less accumulated depreciation	(5,068,106)	(4,713,031)
Construction-in-progress	72,110	-
	<u>10,282,674</u>	<u>10,435,799</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,623,766</u>	<u>\$ 12,510,812</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 61,600	\$ 62,994
MUPB payable	19,098	18,652
BCSD payable	3,323	2,617
O'Ville payable	4,100	4,415
Accrued wages and Vacation Pay	60,135	58,474
Customer deposits	57,503	50,640
Advances	-	-
Taxes payable	7,247	6,320
Accrued interest payable	50,495	50,495
Current Portion of bonds payable	64,500	58,800
Total Current Liabilities	<u>328,001</u>	<u>313,407</u>
<b>Long-term debt</b>		
KRWA financing	-	-
Bonds payable, net	2,291,700	2,356,200
Total Long-term Liabilities	<u>2,291,700</u>	<u>2,356,200</u>
<b>TOTAL LIABILITIES</b>	2,619,701	2,669,607
<b>Net Position</b>		
Investment in Capital Assets, Net of Related Debt	7,926,474	8,020,799
Restricted Net Assets	400,195	401,997
Unrestricted Net Assets	1,677,401	1,418,413
<b>TOTAL NET POSITION</b>	<u>\$ 10,004,069</u>	<u>\$ 9,841,209</u>

The accompanying notes are an integral  
part of the financial statements.

**BATH COUNTY WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**PROPRIETARY FUND**  
for the years ended December 31,

	2014	2013
<b>OPERATING INCOME</b>		
Water sales	\$ 1,872,594	\$ 1,684,751
Other revenue	<u>79,211</u>	<u>76,142</u>
Total operating income	<u>1,951,805</u>	<u>1,760,893</u>
<b>OPERATING EXPENSES</b>		
Power	75,428	62,352
Water purchased	710,367	663,505
Salaries	305,662	296,100
Materials and Supplies	28,892	21,679
Transportation expense	25,722	25,582
Insurance	24,091	22,620
Health and Life Insurance	120,635	107,841
Chemicals	7,363	5,447
Payroll taxes	23,389	22,441
Employee retirement	55,566	55,953
Legal and Professional	4,750	5,000
Contract Services	11,270	10,433
Office Utilities	13,277	12,521
Office Supplies	28,399	23,284
Postage	16,515	13,653
Miscellaneous	-	-
Bad debt expense (recoveries)	10,885	4,259
Regulatory commission expenses	<u>3,076</u>	<u>2,830</u>
Total operating expense	<u>1,465,287</u>	<u>1,355,499</u>
Operating income before depreciation	486,518	405,393
Depreciation expense	<u>(355,075)</u>	<u>(348,848)</u>
<b>OPERATING INCOME (LOSS)</b>	131,443	56,546
<b>Non-operating income (Expenses)</b>		
Gain (Loss) on disposal of assets	3,600	-
Customer Tap Fees	-	-
Interest income	7,595	6,931
Interest expense	<u>(99,787)</u>	<u>(101,009)</u>
<b>Total Non-Operating Income (Expense)</b>	<u>(88,592)</u>	<u>(94,078)</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	42,852	(37,532)
STATE CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>-</u>	<u>-</u>
<b>NET INCOME (LOSS) AFTER CONTRIBUTIONS</b>	42,852	(37,532)
NET POSITION, BEGINNING OF YEAR	<u>9,841,209</u>	<u>9,838,356</u>
Add: Customer Tap Fees	36,501	27,700
Add: Customer Contributions	83,505	12,683
<b>NET POSITION, END OF YEAR</b>	<u>\$ 10,004,069</u>	<u>\$ 9,841,209</u>

The accompanying notes are an integral  
part of the financial statements.

**BATH COUNTY WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUND**  
for the years ended December 31,

	2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts From Customers	\$ 1,934,492	\$ 1,734,168
Payments to Suppliers	(1,181,757)	(1,103,779)
Payments to Employees	(329,051)	(318,541)
Other Receipts (Payments)	<u>-</u>	<u>-</u>
<b>Net Cash (Used) Provided by Operating Activities</b>	423,684	311,848
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sinking Fund	4,059	7,452
Depreciation Fund	(5,861)	14,546
Interest Income	<u>7,595</u>	<u>6,931</u>
<b>Net Cash (Used) Provided by Investing Activities</b>	<u>5,793</u>	<u>28,929</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds From Capital Debt	-	-
Principal Paid on Capital Debt	(58,800)	(57,400)
Purchases of Capital Assets	(129,840)	(117,593)
State Grants Received	81,375	-
Contributed Capital-Tap Fees	36,501	12,684
Interest Paid on Capital Debt	<u>(99,787)</u>	<u>(49,237)</u>
<b>Net cash (Used) Provided by Financing Activities</b>	<u>(170,550)</u>	<u>(211,546)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	258,927	129,231
Cash and Cash Equivalents - At beginning of year	<u>1,706,146</u>	<u>1,576,916</u>
<b>CASH AND CASH EQUIVALENTS - AT END OF YEAR</b>	<u><u>\$ 1,965,072</u></u>	<u><u>\$ 1,706,146</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 131,443	\$ 56,546
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	355,075	348,848
Change in Assets and Liabilities:		
Accounts Receivable, Net	(17,313)	(26,725)
Inventories	(3,293)	27,590
Prepaid Expense	6,868	(8,797)
Accounts Payable and Other Payables	(57,619)	(91,380)
Customer Deposits	6,863	5,549
Accrued Wages and Vacation	<u>1,661</u>	<u>218</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 423,684</u></u>	<u><u>\$ 311,848</u></u>

The accompanying notes are an integral  
part of the financial statements.



**BATH COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2014 and 2013**

**NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES**

The Bath County Water District was created and organized as a public body corporate in Bath County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Bath County Fiscal Court to operate a water distribution system. The District is regulated by the Kentucky Public Service Commission.

**The Reporting Entity**

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Bath County Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations. The entities included in the financial statements are the general operations of the District.

Based on the foregoing criteria there are no other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

**Enterprise Funds**

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources management focus. With the measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.



**BATH COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2014 and 2013**

**Note 1: ORGANIZATION AND ACCOUNTING POLICIES**

**Basis of Accounting**

The District maintains its accounting records on the accrual basis during the year. The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Inventory**

Inventory is maintained at lower of cost or market.

**Utility Plant**

Utility Plant is stated at original cost. The cost of repairs and maintenance is charged to the proper expense account as incurred. Property replacements are capitalized and retirements are charged to the proper plant account and depreciation provision.

**Depreciation**

Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates on a straight-line basis determined by reference to Utility Standards Rates (NARUC). The provisions for depreciation in 2014 reflect those standard rates by asset class.

**Unbilled Revenue**

The District records revenue as billed to its customers on monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled.

**Power Costs**

The cost of power purchases for pumping water is charged to expense as used.

**Income Tax Status**

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statement include no provision for income taxes.

**Cash Flows**

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities, and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**BATH COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2014 and 2013**

**Net Assets**

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 2: CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does have a deposit policy for custodial credit risk. As of December 31, 2014, \$0 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank	\$0
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**NOTE 3: LONG-TERM DEBT**

Revenue bonds in the principal amount of \$235,000 were authorized in 1970 and are held by the Economic Development Administration. A 1977 Bond Issue in the amount of \$130,000 was sold to the Farmers Home Administration, payable and secured by a pledge of the revenues of the District on parity as to security and source of payment with the 1970 Bonds held by EDA. A 1982 Bond Issue in the amount of \$106,000 was sold to the Farmers Home Administration as second lien bonds subject to the vested rights and priority of the 1970 and 1977 bonds. Bonds in the amount of \$375,000 were authorized in 1988 and issued February 14, 1989, as second lien bonds on parity as to security and source of payment with the 1982 bonds. Bonds in the amount of \$138,000 were authorized and issued May 26, 1989 as second lien bonds on parity as to security and source of payment with the second lien bonds of 1982 and 1988. Bonds in the amount of \$103,000 were authorized in 1991 and issued November 25, 1992 and bonds in the amount of \$280,000 were authorized in 1994 and issued October 20, 1994, as second lien bonds. Bonds in the amount of \$200,000 were authorized and issued January 22, 1999. Bonds in the amount of \$500,000 were authorized and issued June 29, 2004. The Bonds Issues of 1988, 1989, 1991, 1998 and 2004 were sold to the Farmers Home Administration. Bonds Series 2009 in the amount of \$259,000 were authorized and issued January 26, 2010.

BATH COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For years Ended December 31, 2014 and 2013

**Note 4: LONG-TERM DEBT (CONTINUED)**

The Following is a summary of changes in long-term debt for the year ended December 31, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Series 1977				
loan amount \$130,000				
Interest rate 5.00%	\$ 27,000.00		\$ 6,000.00	\$ 21,000.00
Bond Series 1982				
Loan amount \$106,000				
Interest rate 5.00%	48,000.00		4,000.00	44,000.00
Bond Series 1988				
Loan amount \$375,000				
Interest rate 5.00%	220,000.00		11,000.00	209,000.00
Bond Series 1989				
Loan Amount \$138,000				
Interest rate 5.00%	-			-
Bond Series 1991				
Loan Amount \$103,000				
Interest rate 5.00%	71,300.00		2,600.00	68,700.00
Bond Series 1994				
Loan Amount \$280,000				
Interest rate 4.50%	212,500.00		6,000.00	206,500.00
Bond Series 1998				
Loan Amount \$200,000				
Interest rate 4.50%	164,200.00		3,700.00	160,500.00
Bond Series 2004				
Loan Amount \$500,000				
Interest rate 4.375%	458,500.00		7,000.00	451,500.00
Bond Series 2006				
Loan Amount \$1,039,000				
Interest rate 4.125%	962,500.00		14,500.00	948,000.00
Bond Series 2009				
Loan Amount \$259,000				
Interest rate 2.375%	251,000.00	-	4,000.00	247,000.00
	\$ 2,415,000.00	\$ -	\$ 58,800.00	\$ 2,356,200.00
Less: Current Maturities	58,800.00			64,500.00
Totals	<u>\$ 2,356,200.00</u>			<u>\$ 2,291,700.00</u>

The following is a schedule of long-term debt maturities

	<u>Principle</u>	<u>Interest</u>
2015	64,500.00	96,938.00
2016	65,300.00	94,048.00
2017	68,100.00	91,076.00
2018	64,000.00	88,149.00
2019-2023	360,600.00	394,730.00
2024-2028	397,200.00	310,783.00
2029-2033	382,700.00	209,813.00
2034-2038	377,800.00	150,016.00
2039-2043	384,500.00	74,393.00
2044-2048	181,000.00	9,158.00
2049-2049	10,500.00	125.00
	<u>\$ 2,356,200.00</u>	<u>\$ 1,519,229.00</u>



**BATH COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2014 and 2013**

**NOTE 5: RESERVES**

The Bath County Water District is required to comply with the bond agreements of all bond issues as follows:

**Sinking Fund**

The District is required to set aside an amount into a special account known as the Bath County Water District Water System Revenue Bonds, Bond and Interest Sinking Fund. The amount to be so set aside and paid each month shall be not less than the following respective amounts:

- 1) A sum equal to one sixth (1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
- 2) A sum equal to one twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The required balance of the reserve at December 31, 2014 was \$113,687. The District had set aside \$122,737 into a restricted account. The District is properly reserved and is over by \$9,050 at December 31, 2014.

**Depreciation Fund**

The District is required to deposit into the Depreciation Fund account the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and used, upon appropriate certification to the bank, for the purpose of paying the cost of construction replacements, extensions, additions and/or improvements to the project. Whenever the balance in the Depreciation Fund shall equal \$186,280, the monthly payments may be discontinued, or by order of the governing body of the District, be diverted into the Sinking Fund Account. The District had set aside \$219,400 and \$219,400 at December 31, 2014 and 2013, respectively.

**NOTE 6: SEWER COLLECTIONS**

The District began collecting sewer payments for the Morehead Utility Plant Board, Bath County Sewer District and City of Owingsville. The accounts receivable reflected on the balance sheet represent monies receivable for water and sewer service. The MUPB payable, BCSD payable, and OUPB payable are the amount of monies in the receivable, which are due to the MUPB, BCSD, and OUPB. The balance at December 31, 2013 and 2012 was \$26,470 and \$25,684, respectively.

**BATH COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2014 and 2013**

**NOTE 7: RETIREMENT PLAN**

The Bath County Water District is a participating employer of the County Employees' Retirement System (CERS), which is a multi-employer defined benefit plan that covers substantially all regular full-time employees of each county, school board, municipal and other local agencies electing to participate. Upon election to participate in the CERS, each employee has the option to participate, however, all subsequent employees must participate and the employer is required to continue participation.

Employees who retire at age 65 and have 48 or more months of credited service or have 27 years of credited service regardless of age are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of the average annual salary of the members' five highest earning years multiplied by the number of years of service credit. Members retiring at less than 55 years of age with 25 to 27 years of service credit or 65 years of age with less than 48 months of service credit are entitled to reduced benefits. Members' retirement benefits become fully vested when they complete sixty months of service, twelve of which are current service.

The Bath County Water District has a total of 8 employees covered by the CERS. Employer contribution rates are intended to fund the System's normal cost on a current basis plus one percent (1%) of unfounded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. There are 8 non-hazardous duty employees who contributed 5.00% and the employer contributed 17.67%. The District's contributions for the year ended December 31, 2014 and 2013 were \$55,566 and \$55,939 and the employees contributed \$15,488 and \$14,841, respectively. The total payroll for covered employees for the years ended December 31, 2014 and 2013 were \$304,181 and \$291,630.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increased, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems (PERS). The measure is independent of the actuarial funding method used to determine contributions to the System.

All required contributions were paid at year end or within thirty (30) days thereafter.

**NOTE 8: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the district also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage.



**BATH COUNTY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2014 and 2013

**NOTE 9: FIXED ASSETS**

Capital asset activity for the fiscal year ended December 31, 2014 was as follows:

Business-Type Activities	Balance Jan. 1, 2014	Additions	Deductions	Balance Dec. 31, 2014
Cost:				
Land	\$ 35,350			\$ 35,350
Plant in Service	14,492,780	74,250		14,567,030
Other Depreciable Assets	620,701	55,589		676,290
Construction in Progress	-	72,110		72,110
Totals at historical cost	15,148,830	201,949	-	15,350,779
Less accumulated depreciation:				
Land & Land Rights				-
Plant in Service	4,222,594	294,646		4,517,240
Other Depreciable Assets	490,438	60,429		550,867
Total accumulated Depreciation	4,713,031	355,075	-	5,068,106
Business-Type Activities Capital Assets - Net	\$ 10,435,799	\$ (153,126)	\$ -	\$ 10,282,673

Capital asset activity for the fiscal year ended December 31, 2013 was as follows:

Business-Type Activities	Balance Jan. 1, 2013	Additions	Deductions	Balance Dec. 31, 2013
Cost:				
Land	\$ 35,350			\$ 35,350
Plant in Service	14,389,471	103,309		14,492,780
Other Depreciable Assets	606,417	14,284		620,701
Construction in Progress	-			-
Totals at historical cost	15,031,238	117,593	-	15,148,830
Less accumulated depreciation:				
Land & Land Rights				-
Plant in Service	3,914,682	307,912		4,222,594
Other Depreciable Assets	449,502	40,936		490,438
Total accumulated Depreciation	4,364,185	348,848	-	4,713,031
Business-Type Activities Capital Assets - Net	\$ 10,667,055	\$ (231,254)	\$ -	\$ 10,435,799



**BATH COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2014 and 2013**

**NOTE 10: CONTINGENCIES**

The District had elected to be recognized as a reimbursing employer for state unemployment compensation purposes. Accordingly, the District will become liable for direct payment of unemployment benefits as they become due.

**NOTE 11: GRANT PROCEEDS**

There were \$81,375 in local Grant proceeds for water projects in 2014.

## **SUPPLEMENTAL INFORMATION**

**BATH COUNTY WATER DISTRICT  
SUPPLEMENTAL INFORMATION REQUIRED BY RURAL DEVELOPMENT  
December 31, 2014**

**Schedule of Insurance in Force**

<b><u>Insurance Coverage</u></b>	<b><u>Amount of Coverage</u></b>	<b><u>Expiration Date of Policy</u></b>
General Liability	\$ 6,000,000	7/1/2015
Property - Building & Contents	15,000,000.00	7/1/2015
Equipment & Vehicles	140,000.00	7/1/2015
Treasurer and Commissioners	400,000.00	7/1/2015
Workers Compensation	Statutory	7/1/2015

**Aged Accounts Receivable**

A detailed schedule of aged accounts receivable is prepared on a monthly basis. At December 31, 2014, accounts receivable were aged as follows:

	<b><u>Number Of Accounts</u></b>	<b><u>Amount</u></b>
Current	3,756	\$ 180,656
Over 30 Days	283	6,051
Over 60 Days	67	1,704
Over 90 Days	104	2,728
Total	<u>4,210</u>	<u>\$ 191,139</u>

During 2014, the District carried a reserve for possible uncollected accounts of \$2,472. Accounts in arrears have been collected or are covered by deposits.

The District had a total of 3,758 customers at December 31, 2014. Of these customers, 3,666 were residential and 92 were commercial.



**DONNA J. HENDRIX**  
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

115 SOUTH MAIN CROSS  
FLEMINGSBURG, KY 41041  
(606) 845-3210

550 W. FIRST ST., PO BOX 449  
MOREHEAD, KY 40351  
(606) 784-4451  
(606) 784-8224 (FAX)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Bath County Water District, Kentucky  
Salt Lick, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards, applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Bath County Water District as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Bath County Water District, Kentucky's basic financial statements and have issued our report thereon dated February 23, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bath County Water District, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bath County Water District, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bath County Water District, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bath County Water District, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Donna J. Hendrix, CPA*

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

February 23, 2015